

## Message Text

PAGE 01 KUWAIT 00305 241054Z

43

ACTION SS-30

INFO OCT-01 ISO-00 /031 W

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R 241020Z JAN 74

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 8597

INFO AMEMBASSY ABU DHABI

AMEMBASSY CARACAS

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

S E C R E T KUWAIT 0305

EXDIS

STATE ALSO FOR T/IEP

E.O. 11652: GDS

TAGS: EFIN, ENRG KU

SUBJECT: KUWAIT ATTITUDE TOWARD LOWER OIL PRICES

REF: A) JIDDA 330 B) TEHRAN 560 C) KUWAIT 103 D) KUWAIT 215

SUMMARY: ON BALANCE WE DOUBT GOK WOULD BE RECEPTIVE TO PROPOSAL TO LOWER OPEC OIL PRICES. KUWAITIS HAVE SOME IDEA OF WORLD-WIDE ECONOMIC IMPLICATIONS BUT THEY FEEL PRICE RISE JUSTIFIED AND THAT LDC CONCERNS CAN BE MET THROUGH NEW ARAB-AFRICAN AND/OR OPEC-SPONSORED FINANCIAL INSTITUTIONS. NEVERTHELESS, SAUDI DEMARCHE COULD BE USEFUL IN HELPING THEM MODERATE THEIR VIEWS. HIGH LEVEL USG VISITOR AT THIS JUNCTURE PROBABLY WOULD NOT BE WORTH EFFORT. END SUMMARY

1. OUR OPINION BASED ON RECENT MEETINGS WITH ATIQUI AND OTHER KEY GOK OFFICIALS AND OUTCOME AFRO-ARAB MEETING ON OIL IN CAIRO IS THAT KUWAITIS FEEL THAT ON BALANCE OIL PRICE RISE INEVITABLE AND JUSTIFIABLE. MOREOVER, AS INDICATED REF C THERE ARE DOMESTIC  
SECRET

PAGE 02 KUWAIT 00305 241054Z

POLITICAL FACTORS WHICH TEND IMPEL GOK TO SEEK HIGHEST POSSIBLE PRICES. AT SAME TIME KUWAITIS HAVE BEEN AMONG MOST FORTHCOMING OF ARAB OIL EXPORTERS IN REACTION TO US-SPONSORED OIL CONSUMERS MEETING (REF D) AND DO RECOGNIZE AT LEAST SOME OF

THE SERIOUS INTERNATIONAL ECONOMIC CONSEQUENCES OF RECENT OIL PRICE INCREASES.

2. KUWAITIS WILL NOT TAKE LEAD IN SEEKING CHANGE FROM PREVIOUS OPEC PRICE DECISIONS. THEY ARE PREPARED PARTICIPATE IN NEW ARAB OR OPEC FINANCIAL INSTITUTIONS WHOSE FUNCTIONS WOULD BE TO ALLEVIATE LDC, PARTICULARLY AFRICAN, ECONOMIC DISLOCATIONS CAUSED BY PRICE RISES. KUWAITIS HAVE EXPERIENCE WITH MODERN FINANCIAL INSTITUTIONS, PARTICULARLY IN DEVELOPMENT AID AREA, AND THEREFORE FEEL RELATIVELY CONFIDENT IN PURSUING THIS APPROACH. MOREOVER, NOT ONLY DOES FINANCIAL INSTITUTION APPROACH AVOID PERCEIVED POLITICAL PROBLEMS ASSOCIATED WITH BACKING DOWN ON PRICES, IT ALSO CAN BE EXPECTED TO ENHANCE KUWAIT AND ARAB POSITION VIS-A-VIS AFRICANS AND OTHER LDC'S, WHICH INDEED IS ALREADY APPARENT.

3. NEVERTHELESS, IF SAG TOOK STRONG POSITION ON REDUCING PRICES AND REQUESTED KUWAIT SUPPORT GOK WOULD PROBABLY BE EMBOLDENED MODERATE VIEWS TOWARD SAUDI POSITION. BECAUSE SAUDI ARABIA BIGGER AND STRONGER THAN KUWAIT, GOK REALIZES IT MUST OFTEN GO ALONG WITH SAG'S VIEWS, BUT KUWAITIS ALSO RECOGNIZE THAT THEY HAVE THEIR OWN REQUIREMENTS AND EXPERIENCE WHICH DO NOT NECESSARILY PARALLEL THOSE OF SAUDIS.

4. WE SEE INITIATIVE WE ALREADY HAVE BEGUN -- MULTILATERAL CONSULTATIONS ON ENERGY PROBLEMS -- AS MORE PROMISING THAN INDIVIDUAL US APPROACHES TO OPEC COUNTRIES. LATTER IMPLIES TO COUNTRIES LIKE KUWAIT US PRESSURE EVEN MORE THAN FEBRUARY 11 CONFERENCE. ARGUMENTS AND DISCUSSION MUST BE CLEAR AND OPEN FOR ALL TO SEE. KEY TO MULTILATERAL APPROACH IS MAKING CRYSTAL CLEAR US AND OTHER CONSUMERS NOT USING IT TO FIND WAYS CONDUCT ECONOMIC WARFARE AGAINST PRODUCERS BUT AS PART OF OVERALL INTERNATIONAL EFFORT OF CONSUMERS AND PRODUCERS TO FIND WAYS TO SATISFY LEGITIMATE ECONOMIC CONCERNS OF BOTH SIDES WHICH HAVE EMERGED AS RESULT PROBLEMS OF SUPPLY OF PETROLEUM AND OTHER COMMODITIES AND RESULTANT PRICE INCREASES NOT ONLY OF OIL BUT OF OTHER COMMODITIES AND MANUFACTURED GOODS AS WELL.

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PAGE 03 KUWAIT 00305 241054Z

5. BELIEVE VISIT OF HIGH LEVEL USG ENVOY NOW WOULD NOT BE WORTHWHILE.  
STOLTZFUS

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## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 27 JUL 1999  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM, PRICES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 24 JAN 1974  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974KUWAIT00305  
**Document Source:** ADS  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** 11652 GDS  
**Errors:** n/a  
**Film Number:** P750001-1810  
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**Office:** ACTION SS  
**Original Classification:** SECRET  
**Original Handling Restrictions:** EXDIS  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:**  
**Previous Classification:** SECRET  
**Previous Handling Restrictions:** EXDIS  
**Reference:** A) JIDDA 330 B) TEHRAN 560 C) KUWAIT 103 D) KUWAIT 215  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 24 JUL 2001  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <24-Jul-2001 by maustmc>; APPROVED <18 DEC 2002 by golinofr>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** KUWAIT ATTITUDE TOWARD LOWER OIL PRICES  
**TAGS:** EFIN, ENRG, KU  
**To:** STATE INFO ABU DHABI  
CARACAS  
JAKARTA  
JIDDA  
LONDON  
TEHRAN  
TRIPOLI

**Type:** TE

**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005